Т.	it doesn't. But i mean when it does.
2	JUDGE ZABAN: You're asking about policy
3	about a company that doesn't exist.
4	MR. REVETHIS: What I meant to ask is whether
5	it's contemplated.
6	THE WITNESS: I have not currently addressed
7	that in the contract at this point.
8	BY MR. REVETHIS:
9	Q All right. So is it fair to say then,
10	just to wrap it up, that outside of any statutory
11	obligation, Commonwealth Edison may have in
12	this regard that's what they will abide by and
13	there's no policy decision that's been made beyond
14	that as to this time?
15	A The policy relating to Genco?
16	Q That's correct, and the refunding of any
17	excessive moneys to rate payers?
18	A From the Genco side, that's correct. As
19	I mentioned, on the ComEd side, it will follow
2 0	what the law requires.
21	JUDGE ZABAN: I have a question. Mr. Flynn,
22	you can clear it up.

1 Has Genco been incorporated 2 anywhere? Do either one of you know? Does Genco 3 exist anywhere, as a corporation anywhere? MR. FLYNN: My understanding is that it does 4 5 not. It's going to be formed by PECO. 6 JUDGE ZABAN: My next question is: presented us with a contract about certain 7 8 obligations between the parties, and it's a 9 contract with a nonentity, okay. And I don't understand how we can have a contract with a 10 11 nonentity and have any obligation, any bilateral 12 obligation with somebody or something that doesn't 13 exist. 14 I mean, it's my understanding that 15 the contract you presented with us is a proposed 16 contract that in the event Genco does become 17 incorporated, this is what the potential agreed terms are between ComEd -- or Unicom and Genco. 18 19 MR. FLYNN: I would make one modest 20 correction to that. Those are the proposed

21

22

terms. We would not take a position in the future

that once Genco is formed that we could sit down

1	and agree to terms that differ from what those
2	that we had presented to the ICC, because the ICC
3	would rule in this case based on the proposed
4	terms.
5	JUDGE ZABAN: So basically
6	MR. FLYNN: There's no discretion on Genco's
7	part in the future to come in and say, I don't
8	like this provision.
9	JUDGE ZABAN: I understand that.
10	I'm asking you: So, in other
11	words, we are to assume then that based on our
12	ruling that this is the contract that's going to
13	be that's going to be presented at the time
14	that these events take place; is that correct?
15	MR. FLYNN: Yes.
16	JUDGE ZABAN: By the same token then, you
17	understand that any ruling we make is predicated
18	upon the fact that the contract will be exactly
19	the same.
20	MR. FLYNN: Yes.
21	JUDGE ZABAN: Okay.
22	JUDGE SHOWTIS: Do you have anything?

1	MR. REVETHIS: I have nothing further. Thank
2	you.
3	JUDGE SHOWTIS: I just have a few questions.
4	MS. DOSS: I have a few questions.
5	JUDGE SHOWTIS: Go ahead.
6	CROSS-EXAMINATION
7	ВҮ
8	Ms. Doss:
9	Q Good morning, Mr. McDonald.
10	A Good morning.
11	Q Leijuana Doss on behalf of the People of
12	Cook County.
13	Referring to Exhibit 1.0, page 8
14	that Mr. Neff had you refer to before, if you'd go
15	further to lines 170 to 175.
16	A Yes.
17	Q Here you discuss the transfer of
18	facilities and that ComEd would keep any
19	transmission of distribution assets?
20	A Yes.
21	Q Could you explain what do you mean by
22	certain except the synchronous

1	A Synchronous condenser.
2	Q and certain land on which the various
3	facilities set?
4	So could you explain this land
5	transfer, because I believe in the agreement it
6	contemplates that the station and the land in
7	which they set will be transferred as well?
8	A Yes, that is true. The stations and the
9	land that they sit on will be transferred. There
10	are some parts of that property, however, that
11	have to be sectioned off because they have
12	distribution assets or transmission assets on the
13	station property.
14	Q And does that include an agreement
15	THE REPORTER: I can't hear.
16	JUDGE SHOWTIS: You might have to
17	MS. DOSS: I'm sorry.
18	BY MS. DOSS:
19	Q My question second question is: Is that
20	included in the agreement as far as which parts of
21	the land remain responsive remain with ComEd?
22	A I believe that is in the agreement.

Q And where is that?
A I'd have to look through the agreement
itself.
Q Okay. You can give me that cite later.
What about the switchyards and the
transmission facilities?
A Will the switchyard and transmission
facilities themselves be transferred?
Q Yes.
A No.
Q So if the switchyard is on the land that
a nuclear station is, can that still remain ComEd?
A That is my understanding for that which
can be identified as the land associated with the
switchyard and the transmission facilities. There
would have to be easements allowed to get ingress
and egress.
Q And is that included in the contract?
A Yes, it's in the agreement.
Q In the agreement. Okay.
So, in other words, in 20 years if
Genco has to decommission the station, will there

have to be a determination as to who owns the switchyard ComEd or Genco?

2.0

A I think there is a demarcation point established in these agreements between whether a facility is transmission, distribution, or a generation. So I don't think we'll have that issue down the road.

JUDGE ZABAN: Are they planning on partitioning that aspect? Are you going to partition off the transmission of distribution from the entire plant; is that the plan?

THE WITNESS: We are not going to move facilities.

JUDGE ZABAN: No, no. I'm just saying, like when you transfer a piece of property, you can partition off pieces of property that aren't included in the sale?

THE WITNESS: Right.

JUDGE ZABAN: Is that the idea so that ComEd will retain the legal title to the transmission, but transfer the legal title to the rest of the facilities to Genco; is that correct.

1	THE WITNESS: That is my understanding.
2	A VOICE: Excuse me. I have Bob Bardelle
3	joining the call.
4	MR. FLYNN: If we could just take a moment.
5	Bob, it's Chris Flynn. We're in
6	the middle of actually, we're in the midst of
7	cross-examination of Bob McDonald. I don't know
8	if we're in the beginning, middle, or the end.
9	I think we're nearing the end. So
10	we would be able to get to you in a few minutes.
11	JUDGE SHOWTIS: What are your constraints,
12	Mr. Berdelle? I mean, how long are you
13	available?
14	MR. BERDELLE: We're meeting with the FERC
15	right now
16	JUDGE SHOWTIS: This is off the record, I'm
17	sorry.
18	(Discussion off the record.)
19	JUDGE SHOWTIS: Back on the record.
20	BY MS. DOSS:
21	Q Following on the demarkation, where in
22	the agreement or notice would I find that?

1	A I can't remember the exact cite right at
2	the moment, but I would be glad to provide that.
3	MS. DOSS: Counsel, will you make sure he
4	provides that?
5	MR. FLYNN: Yes. How would you like us to
6	provide it?
7	MS. DOSS: If it's included, it wouldn't be a
8	late-filed exhibit. I guess I would have to find
9	out from you if it's in the agreement itself.
10	JUDGE ZABAN: Off the record for a second.
11	(Discussion off the record.)
12	MS. DOSS: I did have one more question.
13	BY MS. DOSS:
14	Q Referring to ComEd Exhibit 3.1, if you
15	look at the column that indicates a transfer
16	generation, which 1 and 2 has some clarification.
17	There is a note saying that the new transfer
18	generation are existing plan resources announced
19	by others, but not under contract to ComEd.
20	Are you saying that's available to
21	ComEd?
22	A We're saying that there are a number of

Т	other generators who have announced plans to build
2	in the ComEd service territory. So these are
3	announced plans to build. It could well be
4	available to ComEd at the time, but it's further
5	along in the development.
6	Q But it's not in the form of the contract
7	and other utilities or marketers and so forth
8	could, also, get access to this power?
9	A That is possible, yes.
10	Q And do you know if DEPO has any
11	contracts or anticipates to have any
12	responsibilities for that new transfer generation?
13	A Well, Genco will have the responsibility
14	to make sure it can meet the requirements of
15	ComEd. If that means entering into contracts with
16	these newly developed plants, then it will do so.
17	It will access whatever resources it needs to meet
18	that obligation.
19	MS. DOSS: All right. No further questions.
20	MR. WARREN: I just have one question.
21	JUDGE SHOWTIS: If you speak up, Mr. Warren,
22	that's fine; otherwise, you might have to move to

1	the table.
2	MR. WARREN: I think I can speak up.
3	CROSS-EXAMINATION
4	ВУ
5	MR. WARREN:
6	Q R. Lawrence Warren with the Attorney
7	General's offers.
8	I'd just like to follow up on what
9	the counsel for the State's Attorney was inquiring
L O	into; and, that is, basically the supply after the
L1	2004. We know, according to your testimony, up to
L 2	2004, there is an obligation for 100 percent of
L 3	power from Genco; but after that it slides down.
L 4	On page 9, lines 191 and, again, on line 206, you
L 5	refer to in 2005 and 2006 that Genco will serve
L 6	ComEd's requirements up to the available capacity
L 7	of the nuclear units.
L 8	My question is: What happens to
L 9	the capacity you've indicated earlier in your
2 0	testimony that fossil generation, the fossil
21	agreements that you referred to in a group, all of

that is being transferred over also. So what

ComEd was going to have available under those agreements according to this appears to be not available past 2004. Is that correct in your testimony?

A Well, let me -- those contracts with those fossil plants end at the end of 2004. So there is not a difference between transferring these plants or not.

Q If I recalled correctly, there was some options though after 2004, if I'm recalling that correctly?

A There are some other fossil plants, the ones that we had sold a little while ago, that will still be under BPA's, not the recent sales commission. So there will be some plants that we do have power purchase agreements with.

Q One of the criteria that the Commission has taken consideration under 111(g) is that there's no, I believe the terminology is, no reasonable expectation that there's going to be a request for a rate increase as a result of the transfer.

2	that the market is going to be available and that
3	you're not going to have a problem with it. As
4	you indicated earlier in your testimony here, you
5	said there is a lot of generation facilities that
6	are planned to be built and that would be possibly
7	available to ComEd.
8	How can you assure us that this is
9	going to happen? I mean, not only is it
10	speculation that we're here today that we know
11	that Genco is really speculative at this point,
12	but now there's also speculation that there's
13	going to be some sort of reasonable opportunity
14	for supply after 2004.
15	How can you assure us that that is
16	nothing but speculation?
17	MR. FLYNN: Objection, argumentative.
18	JUDGE ZABAN: I think the first question
19	you've got to ask is, can he give us any
20	assurances; and then ask him what they are.
21	MR. FLYNN: My second objection is one, I
22	guess, that would fall under the category of

Your testimony seems to speculate

vagueness. Is there a specific time period that you're referring to?

JUDGE ZABAN: He said after 2004, after deregulation.

MR. FLYNN: Then I'll object to the question on the grounds of relevance because the specific criteria to which Mr. Warren referred in his question is whether there would be a rate increase during mandatory transition period which ends December 31, 2004.

JUDGE SHOWTIS: I agree with Mr. Flynn on that point with regard to the likelihood of the utility being entitled to request an increase in base rates. That part of the statutory provision pertains only to the mandatory transmission period.

So if you're asking about likelihood of rate increases after that, I think that's beyond the scope of 16-111(g). However, the first criterion that the proposed transaction will render the electric utility unable to provide its tariff services in a safe and reliable manner,

1	that doesn't have that same constraint with regard
2	to the timing.
3	So you could inquire with regard to
4	that criteria beyond the transition period; but I
5	don't think it's proper to ask about likelihood of
6	utility being entitled to rate increases after the
7	mandatory transition period.
8	MR. WARREN: Okay. I'll withdraw that
9	question then, your Honor.
10	JUDGE SHOWTIS: Any other questions?
11	Let's go off the record.
12	(Discussion off the record.)
13	JUDGE SHOWTIS: Let's put Mr. Berdelle on.
14	Mr. Berdelle, I'd like to swear you
15	in.
16	(Witness sworn.)
17	JUDGE SHOWTIS: You may proceed, Mr. Flynn.
18	
19	
20	
21	
22	

1	ROBERT E. BERDELLE,
2	called as a witness herein, having been first duly
3	sworn, was examined and testified as follows:
4	DIRECT EXAMINATION
5	ВҮ
6	MR. FLYNN:
7	Q Would you please state your name and
8	spell it for the record?
9	A Robert E. Berdelle, B-e-r-d-e-l-l-e.
10	Q Mr. Berdelle, are you familiar with the
11	company's notice in this proceeding?
12	A I am.
13	Q All right. And you had a verified
14	statement attached to the notice as Appendix F; is
15	that correct?
16	A That's correct.
17	Q And that statement is true and correct
18	to the best of your knowledge?
19	A Yes, it is.
20	Q And in addition, Appendixes I, J, and M
21	and H of the notice were prepared by you or under
22	your direction and supervision, correct?

1	A Correct.
2	Q And are those is the information on
3	those Appendixes true and correct to the best of
4	your knowledge?
5	A They are.
6	Q In addition, you prepared rebuttal
7	testimony; is that right?
8	A That's correct.
9	Q All right. And there is a document
10	before you previously marked as ComEd Exhibit 4.0
11	bearing the caption, Rebuttal testimony of Robert
12	E. Berdelle.
13	Is this a copy of your rebuttal
14	testimony?
15	A Yes, it is.
16	Q Is it true and correct to the best of
17	your knowledge?
18	A Yes, it is.
19	Q In addition, in your rebuttal testimony
20	you identify and sponsor two exhibits marked as
21	ComEd Exhibits 4.1 and 4.2; is that correct?
22	A That is correct.

1	Q Are those exhibits true and correct to
2	the best of your knowledge? Mr. Berdelle?
3	A Yes, they are.
4	Q Thank you. In addition, the hearing
5	examiners have requested that the company submit
6	data underlying the return on equity analyses that
7	were reflected or included in the company's notice
8	in this proceeding; and the company's responses to
9	Staff's data request PH-1 and PH-2 have been
10	marked as ComEd Exhibit 4.3.
11	Were these responses prepared by
12	you or under your direction and supervision?
13	A Yes, they were.
14	Q And is the information reflected in
15	Exhibit 4.3 true and correct to the best of your
16	knowledge?
17	A Yes, it is.
18	MR. FLYNN: All right. Mr. Examiner, I would
19	move for the admission into evidence of ComEd
20	Exhibits 1.0, 4.0, 4.1, 4.2, and 4.3.
21	JUDGE ZABAN: Any objection?
22	MR. REVETHIS: No objection.

1	JUDGE SHOWTIS: Those are admitted, and ComEd
2	Exhibit 4.3 will be treated as a proprietary
3	exhibit.
4	(Whereupon, ComEd's
5	Exhibit Nos. 1.0, 4.0, 4.1,
6	4.2, and 4.3 were
7	admitted into evidence.)
8	MR. FLYNN: And it's been provided to the
9	court reporter in an envelope for that purpose.
10	JUDGE SHOWTIS: Do the parties have any cross
11	for Mr. Berdelle.
12	MS. DOSS: No.
1.3	JUDGE SHOWTIS: Does Staff have any?
1 4	MR. REVETHIS: No.
15	JUDGE SHOWTIS: I just have a couple of
16	questions.
17	EXAMINATION
18	ву
19	JUDGE SHOWTIS:
2 0	Q Mr. Berdelle, as I understand the
21	transaction, ComEd will be receiving some of its
2.2	stock as a consequence of the transfer of the

_	indicted generaling assets; is that correct:
2	A ComEd will be giving stocks in the
3	Genco. ComEd is providing an equity contribution
4	to the Genco in the form of stock.
5	Q What is the impact on ComEd's common
6	equity ratio through this transaction? Will there
7	be an increase or a decrease or no change in the
8	common equity ratio?
9	A From what point?
L O	Q From the point immediately before the
L1	transaction to the point immediately after it.
L 2	A Okay. The merger will increase ComEd's
L 3	equity ratio because of the creation of goodwill.
L 4	And, so, the transaction of creating the Genco
L 5	will decrease ComEd's common equity ratio from the
L 6	point of the creation of goodwill at the point of
L 7	the merger.
L 8	Q So if I understand your answer, after
L 9	the transaction, ComEd's common equity ratio will
0 2	be lower percentage than prior to the transaction?
21	A That's correct.
2 2	Q Okay. And then obviously ComEd's debt

ratio will be somewhat higher after the 1 2 transaction and prior to the transaction; is that 3 correct? That's correct. 4 Α 5 Okay. Do you have an opinion as to 6 whether the increase debt ratio would result in 7 any associated increase in cost of debt in the future? 8 9 In other words, if you just isolate 10 and look at the common equity ratio and the debt 11 ratios, generally an entity with a higher debt 12 ratio is, all other things being equal, is perceived to be somewhat riskier than an entity 13 14 with a lower debt ratio. 15 Α Right. Will there be any impact -- I guess what 16 17 I'm trying to ask is: Will there be any adverse impact from the increased debt ratio? 18 19 Α I think the answer to that question is, 2.0 no, there won't be because, as I said, the merger, 21 the actual merger, results in an increase in 22 ComEd's equity which in effect would reduce

1	ComEd's debt ratio. Subsequent to the creation of
2	the merger, Genco will be created which infuses
3	some equity into the Genco which will be reducing
4	the ComEd equity and increasing the debt ratio.
5	So those two events tend to offset,
6	not 100 percent, but closely offset such that we
7	don't expect ComEd's debt ratio to be materially
8	different after the formation of Genco than it was
9	prior to the merger.
10	JUDGE SHOWTIS: Okay. That's all of the
11	questions I have of Mr. Berdelle.
12	JUDGE ZABAN: Anybody else have any questions
13	of Mr. Berdelle?
14	MR. NEFF: Just for purposes of making sure
15	the record is clear.
16	MR. FLYNN: I'm sorry, could you please
17	identify yourself.
18	MR. NEFF: I'm sorry. Hi, Mr. Berdelle, this
19	is Alan Neff from the City of Chicago.
2 0	THE WITNESS: Hi, Mr. Neff.
21	,

1	CROSS-EXAMINATION
2	ВУ
3	MR. NEFF:
4	Q The merger to which you referred in that
5	last answer was the merger contemplated now by
6	Unicom and PECO, correct?
7	A Correct.
8	MR. NEFF: Okay. Thank you.
9	THE WITNESS: Sure.
10	MR. FLYNN: I don't think Mr. Berdelle and I
11	have to step out in the hall and see if we have
12	any redirect.
13	JUDGE SHOWTIS: I think you're free to leave,
14	Mr. Berdelle.
15	THE WITNESS: Thank you.
16	MR. FLYNN: You're welcome to stay.
17	THE WITNESS: No, I think I'll leave.
18	JUDGE SHOWTIS: Let's go back on the record.
19	I have some questions of Mr. McDonald.
20	JUDGE ZABAN: I have a couple questions of
21	Mr. McDonald.

1	ROBERT K. McDONALD,
2	recalled as a witness herein, having been
3	previously duly sworn, was examined and testified
4	as follows:
5	EXAMINATION
6	ВУ
7	JUDGE ZABAN:
8	Q You indicated that Commonwealth Edison
9	tends to continue to collect the decommission, is
10	that correct?
11	A That is correct.
12	Q Okay. And it's been the issue I brought
13	up before, the ability to collect the
14	decommissioning, I believe, comes from the
15	authority through the Commission; is that correct?
16	A I'm not sure frankly, I'm not sure
17	whether it comes through a matter of law or from
18	legislation or from the Commission.
19	Q In any event when ComEd no longer is a
20	generator but, in fact, Genco becomes a generator,
21	all right, my understanding is that Genco will not
22	be a public utility?

1	A It may be a public utility under SEC
2	standards.
3	Q Does it intend to be a public utility
4	under Illinois standards at least for a period of
5	time?
6	A No, I don't believe so.
7	Q Then the question is: What guarantees
8	do we have that during whatever period of time
9	that Genco is going to abide by the Public
10	Utilities Act if it's not regulated nor, as far as
1. 1	I can understand, the Public Utilities Act won't
12	apply?
13	A I'm not sure how to give a nonlegal
14	response to that.
15	Q Okay. My concern is that there is a
16	provision that provides that Genco or that the
17	generator will collect decommissioning costs and
18	there is a setup that if decommissioning costs are
19	less than anticipated, there will be a benefit to
2 0	the taxpayers or to the people that pay the
21	decommissioning costs.
22	What prevents this from becoming a

windfall to either Commonwealth Edison or Genco if, in fact, it subsequently turns out that there is an excess of decommissioning costs barring any statutory regulations regarding distribution; or, for that matter, any regulation regarding distribution of decommissioning costs?

2.0

A My understanding under the current, we would continue to have Rider 31 proceedings every year to look at the costs of decommissioning and those would be supported by testimony and decisions made by the Commission.

Q But it is my point that Genco is no longer bound by the Commission nor is it regulated by the Commission as a nonpublic utility, then there really seems no obligation to have these continued hearings or Rider 31 hearings because then, in fact, they're submitting themselves to the Commission.

I mean, you may not have an answer to this; I understand that. But I'm asking is this something that, in fact, has been addressed in terms of what's Genco's obligation going to be

1	to the People of the State of Illinois if it's not
2	a public utility? What legislation or regulation
3	will there be of Genco under the current
4	atmosphere?
5	A What state regulation will there be of
6	Genco?
7	Q Right.
8	A I don't believe there will be any state
9	regulation of Genco per se. There will be
10	continued SEC kinds of regulation; but of the
11	Genco by the State, no. I don't believe that that
12	will exist.
13	JUDGE ZABAN: Okay.
14	JUDGE SHOWTIS: I have some questions. I'm
15	going to ask the questions pertaining to
16	decommissioning first.
17	EXAMINATION
18	ВҮ
19	JUDGE SHOWTIS:
20	Q ComEd collects for decommissioning costs
21	through Rider 31; is that correct?
22	A That is correct.

1	Q And is that a per KWH charge?
2	A Yes, I believe it is.
3	Q Okay. And as you previously indicated
4	there are annual proceedings with regard to Rider
5	31 to determine what changes, if any, are
6	appropriate to that rider?
7	A Yes.
8	Q Does Rider 31 presently contain any
9	provisions or any language that addresses the
10	situation where ComEd would be transferring the
11	nuclear units to another entity?
12	In other words, is the type of
13	transaction that's before us today contemplated by
14	Rider 31 presently?
15	A I don't know the answer to that.
16	JUDGE ZABAN: Excuse me. To answer that
17	question, does Rider 31 the per KWH charge, is
18	that based on sale of electricity or generation of
19	electricity if you know?
20	THE WITNESS: Frankly, I'm not sure.
21	Mr. Berdelle is the
22	JUDGE ZABAN: It looks like we blew it.

1	My question then is: If it's based
2	on a generation rather than a sale that
3	Commonwealth Edison is no longer a generator, how
4	does Commonwealth Edison have the authority to
5	collect the decommissioning charges? And if Genco
6	is the generator but isn't regulated by the
7	Commission, what authority do they have to collect
8	the decommissioning charge?
9	I mean, I don't know if these
10	issues have come up or not, but it's certainly
11	things that have troubled me in terms of since
12	we all seem to be kind of focusing in as one of
13	the things that concern everybody here, how it is
14	these issues are going to be addressed.
15	THE WITNESS: My difficulty is separating out
16	the legal issues from
17	JUDGE SHOWTIS: But at least at this point
18	you don't know for sure if the collection of
19	decommissioning costs is tied to per KWH sold
20	versus generated?
21	THE WITNESS: I don't know I don't know

for sure.

1	JUDGE SHOWTIS: Okay.
2	THE WITNESS: I don't know the answer to
3	that.
4	MR. FLYNN: Mr. Examiner, I would note for
5	the record that there is a third possibility that
6	it could be KWH delivered.
7	JUDGE SHOWTIS: Okay. That's fine.
8	Unfortunately, Mr. Berdelle would know the answer.
9	MR. FLYNN: I believe the answer to the
10	question is a matter of public record.
11	JUDGE SHOWTIS: That's fine.
12	JUDGE ZABAN: That's fine.
13	MR. FLYNN: The Commission has addressed this
14	in prior Edison proceedings.
15	BY JUDGE SHOWTIS:
16	Q Is there an open docket dealing with
17	Rider 31, or has the annual process been concluded
18	and there's not a pending docket right now if you
19	know?
20	A My understanding is there is an open
21	docket.
22	Q Do you have any knowledge as to whether